

VOLUME 1

CHAPTER 12

AUDITS AND INSPECTIONS

1200. PURPOSE This chapter establishes uniform procedures for audits of postal effects that are the responsibility of designated postal clerks, COPES, and PFOs, and for the inspection of MPS activities for compliance with existing regulatory documents and agreements.

1201. GENERAL

1. Audits and inspections are management tools designed to ensure the administration of the MPS is in accordance with established policies and procedures. MPSA requirements outlined in this chapter are the minimum DoD standards. It is the responsibility of each command element to monitor and comply with audit and inspection requirements. Military Service components and responsible commanders may establish more frequent audits and inspections if deemed necessary.

2. MPSA shall coordinate postal inspection requirements with DoD components and USPS to take full advantage of available audit and security expertise. MPSA shall request this assistance at selected intervals, or as needed. In developing audit and inspection programs, responsible commanders shall request support from local military resources that can meet their needs most effectively (for example, military police for security recommendations and military investigative agencies for criminal detection techniques).

3. In geographical areas where one Military Service is the predominant element, that Military Service shall provide inspection and audit support for the other Military Service elements in the area, when requested by those elements. Responsible commanders at all levels shall review their activities and resources in this regard and coordinate requirements with the other Military Services. Cross-inspections and audit agreements shall be developed with the understanding that the overall responsibility for these functions remains with the Military Service element that has jurisdiction over the unit visited.

4. Each major command is responsible for examining its own overall inspection program, to avoid duplication of expenditures and effort.

1202. AUDITS

1. General. The USPS-DOD Postal Agreement (reference (e)) requires the Military Services to conduct periodic audits of postal accounts advanced by the USPS to DoD personnel and to ensure that these accounts are protected at all times.

2. Personnel Authorized to Conduct Audits. The following are authorized to conduct audits:

a. PFOs .

- b. Copes .
- c. MPO supervisors.
- d. Responsible commanders.
- e. Postal officers.
- f. USPS inspectors or other USPS representatives of the Postmaster General.
- g. Military Services or major command Inspector General (IG) teams.
- h. DoD and Military Services' Audit Agencies, including Monies Audit Board members.
- i. Persons whose duties are of an investigative nature, when authorized by responsible commanders or the USPS for a specific purpose.
- j. A disinterested officer or noncommissioned officer (NCO) appointed by the responsible commander.
- k. MPSA personnel.
- l. Postal assistance advisors.
- m. Audit and inspection personnel designated by major commands.

3. General Audit Rules.

- a. Conduct audits at unscheduled and unannounced times, when possible.
- b. The person audited shall be present during the audit, unless prevented by sickness, absent without leave (AWOL), or other approved absences. In case of absence, another person shall act as a witness in that person's behalf.
- c. Exchange of funds or stocks between accounts during the audit will not be allowed.
- d. When money order, postage stamp stock, and postage meter accounts are in the possession of one person, each account shall be audited and balanced separately. However, all the accounts shall be audited at the same time. Where commingling of MO, meter, and stamp funds has been authorized (see Chapter 7, paragraph 711), the accounts shall be audited in this same order. MO funds shall be accounted for first, meter second, and stamp stock third. All overages or shortages shall be accounted for in the stamp stock account.
- e. _ Cash _ay not be exchanged for checks until all funds have been verified.

f. During an audit, clerks may not use the account to transact business of any sort. If necessary, service windows shall be closed temporarily until the audit is complete.

g. Personnel conducting the audit shall not have had previous operating access to the account being audited.

4. Audit Instructions. Persons responsible for postal effects must show full accountability at the time of audit. For detailed step by step audit instructions, see tables 12-1, 12-2, and 12-3. For proper completion of DD Form 2259, "Report of Audit of Postal Accounts," see figure 12-1, 12-2, and 12-3. Figures 12-1 and 12-2 depict the completed front of DD Form 2259 for postal clerk and COPE audits, respectively.

5. Audit Schedules Under Normal Operating Conditions

a. Accounts used to conduct window sales shall be audited at least once monthly (See paragraph 1202.5.c., for exception). Normally, these audits shall be conducted by the COPE, custodian of a "filler stock" account; MPO supervisor, or Monies Audit Board members.

b. Accounts that are not used for window sales (that is, PFOS, COPES, reserve custodians, and filler stocks) shall be audited at least once during each quarter. Normally, these audits shall be conducted by responsible commanders or their designated representatives, postal officers, MPO supervisors, or DoD and Military Services' audit agencies, including Monies Audit Board members.

c. COPES and custodians of filler stock accounts who also have a window sales account shall be audited quarterly (instead of monthly) as outlined in paragraph 1202.5.b. However, at one person MPOS or units, the monthly audit of the window sales account is required (See paragraph 1202.5.d). Whenever an audit is conducted, both accounts shall be audited (See paragraph 1202.5.c).

d. At one person MPOS or units, all accounts in possession of the clerk shall be audited at least monthly. In these instances, the host activity or another MPO supervisor or postal officer, may be requested to perform the audit. Letters of request shall include necessary instructions and forms. Appointment of the auditor shall be by letter.

e. Major commanders or their designees shall conduct annual audits of COPES and PFOS within their command as part of the inspection requirements outlined in paragraph 1203.3. Audits performed by Military Service and major command IGs, MPSA, USPS, and DoD and Military Service audit agencies satisfy this requirement.

f. Whenever an audit is conducted by a higher echelon of command or an agency identified in paragraph 1202.2, it shall satisfy the requirement for that time frame. For instance, if a major command audits a window sales account, that audit will satisfy the monthly requirement outlined in paragraph 1202.5.a.

6. Special Audits

a. When changing COPEs, the audit shall be made jointly by the "incoming and outgoing COPEs and shall include the number and identity of USPS accountable items, money orders, stamp stock accounts, and postage meter accounts. If a reserve custodian maintains a portion of the stock, he or she shall participate in the audit. Incoming COPEs are not required to audit all credits extended to clerks nor reaccomplish PS Forms 3369 of existing fixed credits.

b. When the accountable person is AWOL, missing, deceased, hospitalized, confined by civilian or military authority, or reassigned, audit all accounts the person is responsible for.

c. Following combat or natural catastrophe situations, audit all accountable equipment and effects.

d. When duplicate key or combination envelopes are found unsealed, audit the account to which they pertain.

e. As part of investigations involving possible depredation of postal effects, audit when necessary.

7. Fixed Credit Tolerance Limits. Tolerance limits apply only to fixed credits of window clerks conducting financial transactions with customers. PFOS, COPEs, reserve custodians, and custodians of filler stocks are not allowed a tolerance, unless a fixed credit has been established for them to conduct window business. Then it only applies to the portion of the credit that is used to conduct window business. Fixed credit tolerances "+" or "-" are as follows:

- a. \$300 or less--\$2
- b. \$300.01 through \$1,000--\$10
- c. \$1,000.01 through \$5,000--\$20
- d. \$5,000.01 and above--\$40
- e. Fixed credits being withdrawn--0
- f. Stamp Vending Accounts--0

8. Recording Audits. A record of audits shall be maintained on PS Form 3368, "Stamped Credit Examination Record." (NOTE: Disregard references to lines and columns printed on the form.) Intransit requisitions shall be counted as cash and shown in the cash portion of PS Form 3368. Auditors shall monitor these records. Personnel who consistently show excessive overages or shortages should be relieved from duties that involve the handling of postal effects.

9. Audit Results. Overages and shortages within tolerance limits listed in paragraph 1202.7, shall be carried forward to the next audit. The disposition of overages and shortages in excess of tolerance limits shall be as follows:

a. The entire amount of the overage, to include the tolerance, shall be collected by the auditor and turned over to the COPE. The COPE prepares a PS Form 1096 in duplicate; the clerk receives the original and the other copy is retained in the MPO files. Overages shall be remitted by the COPE to the source of supply by check or cash, accompanied by a copy of the audit. A copy of the audit, annotated with the check number under which remitted, shall be filed with the duplicate copy of the PS Form 1096. Remissions of overages involving flexible credits shall be made when submitting the next PS Form 1412B, as outlined in Chapter 5, paragraph 503.14. If the PFOS or COPE account is found to have an overage, the auditor shall ensure that the PFO or COPE forwards such overage to the source of supply, as outlined above. Remission records shall be examined during subsequent audits.

b. Shortages, to include the amount of the tolerance, shall be replaced by the accountable person at the time of the audit. Any overages in the person's account in the past year submitted to the source of supply as outlined in paragraph 1202.9, which bear a direct relationship to the current shortage, requires the COPE to submit a letter of explanation to the source of supply. The source of supply shall reimburse the amount of shortage up to the amount for which a relationship exists. If the person refuses to make voluntary restitution or if criminal intent is suspected, see Chapter 14, paragraph 1404.1.e., for procedures.

c. Whenever an audit reveals an overage or shortage beyond tolerance limits, the auditor shall determine if other accounts belonging to personnel assigned to that MPO, including the COPE, shall be audited. The clerk being audited also may request an audit of other accounts (excluding geographically separated units). If an overage or shortage is revealed in another account and the auditor, COPE, and MPO supervisor believe that a relationship between the differences exists, an overage in one clerk's credit can be offset against a shortage in another clerk's credit. The transfer of funds shall be documented using PS Form 1096, prepared and signed by the receiving clerk, and provided as a receipt to the clerk relinquishing funds.

d. If a shortage appears in the PFO'S or COPE'S stamp stock account during transfer of the account, the outgoing PFO or COPE shall take action to resolve the shortage before transferring the credit to the incoming PFO or COPE. When the credit of a PFO or COPE must be transferred while a shortage in the account exists, refer the matter to MPSA for resolution.

e. During audits, individual credit accounts do not require reaudit when a shortage or overage occurs that is within the tolerance levels. Carry these differences forward to the next audit; however, if the person being audited requests another audit, the auditor shall comply. If the reaudit agrees with the original audit, no further reaudits are required.

10. Disposition of Audit Results

a. A copy of the audit, DD Form 2259, shall be filed at the activity being audited. Audits conducted in conjunction with inspections prescribed in paragraph 1203.3, shall be filed with inspection reports as shown in paragraph 1203.4.

b. A copy of the quarterly audits of PFOS and COPES with flexible accounts shall be forwarded to the accountable postmaster using the address element shown in table 5-2, rule 1. The audit report shall be accompanied by the following:

(1) A copy of the PS Form 1412-B used to establish the "Dollar Value of Account" shown on the PS Form 2259.

(2) A copy of the last PS Form 3602-PO submitted to the accountable postmaster for each post office meter in operation. (NOTE: This does not apply to meters operated at post offices with fixed credits extended by PFO.)

(3) A copy of the last PS Form 3603 submitted to the accountable postmaster for each customer of DoD contract meters in operation.

(4) A copy of the last PS Form 17 reflecting blank money orders received from the accountable paper depository.

c. Upon receipt of the audit form and accompanying documentation described in paragraph 1202.10.b., above, the accountable postmaster will verify the documentation based upon actual PS Forms 1412B, 3602-PO, and 3603 received from the PFO or COPE and records maintained by the accountable paper depository relative to stamp stock and blank MOS shipped to the PFO or COPE. The verified audit forms and accompanying documentation shall be returned to the auditing official.

1203. INSPECTIONS

1. Postal activities shall be inspected at periodic intervals to determine if they are performing their mission in an effective and efficient manner and in accordance with established laws, regulations, and USPS and DoD regulatory documents. Inspections shall also measure the activities' responsiveness to problem areas, and corrective action taken on previously noted irregularities and deficiencies. To assist MPS managers in developing a viable inspection program, Appendix C, "Inspection Checklist," is provided for commanders to use, as deemed appropriate.

2. Inspections shall focus equally on three primary functional areas: finance, operations, and service. The scope of the inspection shall cover all aspects of each functional area to include, but be limited to, an audit and examination of the following:

- a. Flexible and fixed credit accounts to include meter accounts.
- b. MO accounts.
- c. USPS accountable and expendable items.
- d. Physical and operational security to include procedural instructions.
- e. Mail-handling procedures.
- f. Maintenance of postal publications.

- g. Records of complaints, claims, and inquiries.
- h. Administrative procedures.
- i. Personnel and facilities.
- j. Receipt and dispatch procedures.
- k. Mail transportation.
- l. Directory service.
- m. Acceptance of mail.
- n. Training programs.
- o. Supervision.
- p. Postal Operating Plan.

3. Minimum inspection requirements for MPS activities are as follows:

a. Major commanders or their designated representatives shall inspect assigned postal activities (that is, MPOS, AMTs, FMCs, etc.) above the unit mailroom level at least annually. Unit mailroom inspection requirements are outlined in Volume II, Chapter 3, paragraph 307.

b. Whenever an inspection is conducted by a higher echelon of command or by one of the authorized agencies listed below, it will satisfy the annual inspection requirement, provided all areas listed in paragraph 1203.2; are inspected. Authorized agencies for this purpose are:

(1) USPS

(2) MPSA

(3) Military Service or major command IGs.

(4) DoD or Military Service audit agencies.

(5) Postal Assistance Advisor

4. A copy of inspection reports shall be kept on file at the inspecting activity and at the facility being inspected. Requirements for additional copies, plus distributions, shall be issued by each major command or as required by the Military Services' inspection directives.

STEP	INSTRUCTION3
1	Complete the heading of DD Form 2259 , "Report of Audit of Postal Accounts." Determine the amount of fixed credit to the individual by checking the PS Form 3367 issued by the person advancing the fixed credit.
2	Using the reverse side of DD Form 32259 , inventory stamps/paper stock, cash funds, and requisitions in transit. If appropriate, determine the value of discounts given in bulk sales of envelopes .
3	Show inventory results in recapitulation of stamp account section of DD Form 2259 . NOTE: Auditors shall honor letters explaining shortages in receipt of stock from the source of supply. The amount of shortage shall be added to the actual stamp stock On hand with an explanatory note placed in the remarks section of the audit form .
4	If an overage or shortage exists, comply with subsection C.9, above.
5	Review money order account and record required data on DD Form 2259 .
6	Audit postage meter account and check designated block on DD Form 2259 .
7	When auditing a Pill or a COPE, the auditor shall review the last DD Form 2259 to determine if any outstanding shortages exist. Outstanding shortages shall be recorded on each subsequent audit form until the shortage is replaced .
8	Record results of audit on the individual's PS Form 3368 , and keep DD Form 2259 on file at the postal activity.
9	When auditing a PFO or COPE, the auditor shall inventory all accountable equipment (as defined by DOD 4525.6-C, reference (m)) listed on the activities PS Form 1550 , "Supplies and Equipment Account". Any missing items shall be reported as a possible postal offense or loss, as outlined in Volume II, chapter 6. Document the shortage in the remarks section of DD Form 2259 .

Table 12-1. How to Audit Fixed Credits .

Table 12-2. How to Audit Flexible Credits.

STEP	INSTRUCTIONS
1	Complete the heading of DD Form 2259. The value of the " account will be the amount shown as the "Closing Balance" on the last PS Form 1412B completed before the audit, plus any requisitions received since the last PS Form 1412-B was prepared.
2	Follow step 2, table 12-1. However, requisitions in transit do not apply.
3	Follow step 3, table 12-1.
4	Check entries on PS Forms 1412-B, "Daily Financial Report," since the last audit.
5	Total the stamp stock and cash on hand and fixed creditor credits advanced on PS Forms 3367. Compare the total with the closing balance shown on the last completed PS Form 1412B.
6	Follow steps 4, 5, 6, 7, 8, and 9 of table 12-1.

m	IF PERSON BEING AUDITED IS A:			THEN:
	PFO	COPE	M O CLERK	
1	x	x		Compare PS Form 17, "Invoice of Money Order Forms", with serial numbers or broken or unbroken sets or boxes.
2	x	X	X	Compare serial numbers of issued money order sets listed on DD Form 85 with PS Form 17.
3	X	X	x	Check sequence of issuance or transfer of blank sets on DD Form 885.
4		X	X	Compare ?S Form 17, ?S Forms 501?, DD Forms 885, and money order set blanks on hand, to ensure that all are accounted for.
5			x	Check transfer documentation on DD Form 885 between clerks. Ensure funds are transferred on PS Form 1096, "Cash Receipt", to be retained with ?S Form 6019.
6		x	X	Ensure descending count column on DD Form 885 can be verified with day-to-day issuance reflected on PS Form 6019.
7		X	x	Ensure PS Form 6019 and remittance is being submitted to MOD, St. Louis, as required.
8		x	x	Confirm dispatch by comparing registration forms (PS Forms 3806 or 3877) with the registry numbers used to transmit money order reports.
NOTE: If discrepancies are noted or suspected, contact the check making facility to confirm the amounts and dates that checks or money orders were issued. Also registered mail dispatch records can be compared with AMT or FMC records to confirm shipment.				

Table 12-3. How to Audit Money Order Accounts.

REPORT OF AUDIT OF POSTAL ACCOUNTS

Activity Identification: APD NY 09616	Reason For Audit: <input checked="" type="checkbox"/> Monthly <i>iJQuutedy clsorni-mlnMl</i> <input type="checkbox"/> Change of PFO, COPE, or Postal Clerk <input type="checkbox"/> Special	Date of Audit: (Yr, Mo, Day) 86/0 3/02	Record the results of the audit on PS Form 3368. Carry the results over to the next audit.
Typed/Printed Name of Account Holder (Last, First, MI): Sereduick Terri L.	PAY GRADE: E-3	Dollar Value of Account: \$ 500.	
Typed/Printed Name of Auditor (Last, First, MI): Jones, John P.	E-6		
RECAPITULATION OF STAMP ACCOUNT (From reverse side)			
Stamp Stock on Hand by Actual Count - Part I		\$ 427.10	
Cash On Hand By Actual Count - Part II		\$ 74.70	
Postal Intransit Requisitions - Part III		\$	
Fixed Credit(s) Advanced on PS Form 3367		\$ —	
Other Credits (Explain in remarks)		\$ —	
Total Amount Accounted For At Time Of Audit		\$ 501.80	
Overages Or Shortages in Excess of Tolerance Limits Will Be Handled In Accordance With Chapter 6, Volume II.		<input type="checkbox"/> = \$ 1.80	←
MONEY ORDER ACCOUNT			
<input type="checkbox"/> Money Order Account was Audited as prescribed by DOD 4525.6-M, Chapter 12, Table 12-3.			
Serial Numbers of Money Orders currently in Individuals Account FROM: 802 5069900 THRU: 802506 99 99			
POSTAGE METER ACCOUNT			
<input type="checkbox"/> Daily submission of PS Form 3602-P for each meter, to include cash to check transfers and submissions and registered cash remittances, have been checked and verified since the last audit conducted on _____ Date: (Yr, Mo, Day)			
REMARKS:			
Signature Of Individual Being Audited: Terri L. Sereduick		Signature Of Auditor: John P. Jones	

DD Form 2258, JAN 82

REPLACES AF FORMS 1949 AND 1950 WHICH ARE OBSOLETE.

280041

Figure 12-1. Sample Audit of a Postal Clerk.

Indicate the reason for the audit by marking the appropriate block. Explain special audits in the Remarks section.

REPORT OF AUDIT OF POSTAL ACCOUNTS		
Activity Identification: <i>ARO NY 09016</i>	Reason For Audit: <input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Quarterly <input type="checkbox"/> Semi-annual <input type="checkbox"/> Change of PFO, COPE, or Postal Clerk <input type="checkbox"/> Special	Date of Audit: (Yr, Mo, Day) <i>87/02/12</i>
PRINTED NAME OF ACCOUNT HOLDER (Last, First, MI): <i>EDWARDS, RICHARD P.</i>	PAY GRADE: <i>E-3</i>	Dollar Value of Account: <i>\$ 6 0 0 0 . 0 0</i>
PRINTED NAME OF AUDITOR (Last, First, MI): <i>JONES, JAMES S.</i>		
RECAPITULATION OF STAMP ACCOUNT (From reverse side)		
Stamp Stock on Hand by Actual Count - Part I		<i>\$ 2748.40</i>
Cash On Hand By Actual Count - Part II		<i>\$ 412.60</i>
Total Intransit Requisitions - Part III		<i>\$ 1849.00</i>
Fixed Credit(s) Advanced on PS Form 3367		<i>\$ 1000.00</i>
Other Credits (Explain in remarks)		<i>\$ —</i>
Total Amount Accounted For At Time Of Audit		<i>\$ 6000.00</i>
Overages Or Shortages In Excess of Tolerance Limits Will Be Handled In Accordance With Chapter 6, Volume II.		<input type="checkbox"/> Overage <input checked="" type="checkbox"/> Shortage <i>\$ 0</i>
MONEY ORDER ACCOUNT		
<input checked="" type="checkbox"/> Money Order Account was Audited as prescribed by DOD 4525.6-M, Chapter 12, Table 12-3.		
Serial Numbers of Money Orders currently in Individuals Account FROM: <i>8025070000</i> THRU: <i>8025071000</i>		
POSTAGE METER ACCOUNT		
<input checked="" type="checkbox"/> Daily submission of PS Form 3602-P for each meter, to include cash to check transfers and submissions and registered cash remittances, have been checked and verified since the last audit conducted on <i>86/11/15</i> Date: (Yr, Mo, Day)		
REMARKS		
Signature Of Individual Being Audited: <i>Richard P. Edwards</i>		Signature Of Auditor: <i>James S. Jones</i>

For fixed credits this amount will match that shown on the PS Form 3367. For flexible credits this amount will match AIC 853 on the last PS Form 14128.

Any difference between the dollar value of the account and total amount accounted for at the time of this audit shall be shown in the next block as an overage or shortage.

Figure 12-2. Sample Audit of a COPE.

FIXED/FLEXIBLE CREDIT INVENTORY SHEET						
PART I: STAMPS/PAPER STOCK			PART II: CASH FUNDS			
QUANTITY	DENOMINATION	VALUE	QUANTITY	DENOMINATION	VALUE	
500	.01	\$ 5.00	5	20.00	\$100.00	
700	, 0 3	21.00	7	10.00	70.00	
300	.04	12.00	13	5.00	65.00	
400	● C %	32.00	1	2.00	2.00	
500	.10	50.00	95	1.00	95.00	
600	.13	78.00	20	.50	10.00	
12.00	.15	180.00	110	.2s	27.50	
500	20	ICM.et?	171	.10	17.10	
300	.21	63.00	200	.0s	10.00	
400	.25	100.00	600	.01	6.00	
600	.31	186.00				
200	.40	80.00				
200	-5-0	747.00		CHECKS		
100	1.00	100.00		MONEY ORDERS		
100	2.00	200.00	TOTAL FUNDS 402.60			
100	5.00	500.00	PART III: REQUISITIONS IN TRANSIT			
			RQN NO.	DATE DISP.	CHECK NO.	VALUE
			12	10 FEB 86	21190	\$ 960.00
			13	16 FEB 86	21200	889.00
			TOTAL 1849.00			
			REMARKS			
50	DISPENSERS .10	5.00				
15	COILS (.18) 18.00	270.00				
100	BOOKS 1.20	120.00				
80	BOOKS 3.60	288.00				
	BOOKS					
40	AEROGRAMMES .30	12.00				
200	POSTAL CARDS .12	24.00				
300	ENVELOPES (Small) .22	66.00				
220	ENVELOPES (Large) .22	48.40				
TOTAL STAMPS/PAPER STOCK		2748.40				

DD Form 2259 Reverse, JAN 82

Figure 12-3. Sample of a Completed Inventory Sheet (Shows the Reverse Side of Figure 12-2, DD Form 2259).